

SECRET

SOVIET FOREIGN AID TO THE LESS DEVELOPED COUNTRIES:
RETROSPECT AND PROSPECT

ORR Project No. 41.4399

9 February 1966

 STATINTL

CONTENTS

	<u>Page</u>
I. Introduction	1
The Politics of Economic Aid	3
II. The Economic Aid Program	5
A. Magnitude and Distribution of Soviet Economic Aid. . .	5
B. Drawings on Soviet Credits and Grants.	9
C. Sectoral Distribution.	11
D. Assistance for the State Sector.	14
E. Repayment of Soviet Credits.	16
F. Contribution to Economic Development	19
G. Technical Assistance and Academic Training	21
1. Soviet Technicians Abroad.	22
2. Technical Training	26
a. In the USSR.	26
b. In Less Developed Countries.	27
3. Academic Training.	29
III. The Military Aid Program	30
A. Political Impact	31
B. Economic Impact.	34
C. Military Technical Assistance.	36
IV. The Balance Sheet -- Successes and Failures.	38
V. Outlook for the Soviet Aid Program	45

SOVIET FOREIGN AID TO THE LESS DEVELOPED COUNTRIES:
RETROSPECT AND PROSPECT

I. Introduction

The emergence of a large number of new nations in the postwar world brought with it a "revolution of rising expectations," the ramifications of which are playing an ever increasing role in the East-West conflict. While the key element of this "revolution" is economic in nature, political instability, nurtured by factional struggles for power, frustrations over the lack of economic progress, and external political pressures, has become a prevailing feature in almost every area in which these countries are located. Real and imaginary grievances are vented against former colonial powers and complete severance of all, especially economic, ties often is advocated by radical nationalist elements as the only means for achieving true independence from "neocolonialism." Traditional tribal conflicts, once localized in their impact, are converted into border disputes between newly independent neighbors. Perhaps most disruptive of all factors is the drive of various leaders who have seized the leadership of regional political movements and who employ extremist tactics in their efforts to achieve the objectives of these movements.

In many countries the demand for rapid achievement of the fruits of economic development as a corollary of the struggle for independence has often resulted in overambitious and poorly designed economic development plans which frequently place the greatest emphasis on industrialization

and infrastructural development. Such programs, however, require substantial amounts of capital and technical know-how, resources largely absent in these countries. The consequence usually is a willingness to accept economic assistance from any foreign source to support the program. Such aid also is sought to ease the economic pressures which result from the infusion of large-scale economic activity into an institutional structure not capable of absorbing such activity.

After years of denouncing Western foreign aid as an ill-disguised instrument of imperialism, the USSR, in the mid-Fifties, injected itself into this milieu of economic and political instability with an aid program of its own. During the past dozen years economic and military aid to the less developed countries of the non-Communist world has become a key instrument in Soviet efforts to project its presence into all areas of the developing world. From an inauspicious beginning in mid-1954 the program has grown dramatically, has widened in scope and content, and has attained a relatively high degree of sophistication. In 1954 about \$5 million in foreign aid was extended by the Soviet Union. By the end of 1965 the cumulative total of Soviet economic assistance had grown to about \$5 billion and its military aid program to about \$4 billion. During these years more than 13,000 academic students and nearly 25,000 military and technical trainees have trained in the USSR. In addition, an estimated 65,000 Soviet economic and military technicians have been employed in aid activities in recipient countries.

The Politics of Economic Aid

The "national liberation" of colonial peoples and their ultimate amalgamation with world Communism have always been accorded high priority in Communist strategic thinking. Current Soviet policy gives tactical priority to gaining entry to these countries, to establishing a position which could be used to influence their policies, and to reduce or eliminate Western influence. The nationalist governments of these countries have been accepted and acknowledged and the Communist countries have established diplomatic and economic relations with most of them. Simultaneously, local Communist parties subservient to Moscow's directives have been restrained from overt revolutionary activity that would offend nationalist governments. This course has been pursued to such an extent that in many countries the interests of indigenous Communist groups have been largely ignored. India and the UAR, countries in which Communist parties have either been banned or sharply attacked by the ruling political party, have received more economic assistance than any other beneficiary of Soviet aid.

The Soviet Union, however, remains willing to overlook such attacks in the hope that "revolutionaries" like Nasser or the deposed Ben Bella, with Soviet assistance, will do more damage to Western influence in the Near East and Africa in the name of anticolonialism and Arab nationalism than the USSR could ever hope to achieve alone. Similarly, Indian leaders will continue to be the beneficiaries of Soviet largesse because of India's influence among the Afro-Asian nations and its strategic position in

Asia, Moreover, the leaders of the Soviet Union apparently believe that well-conceived and effectively implemented Soviet aid programs will serve to bolster economically the newly achieved political independence of new states. Such aid also is expected to sever or disrupt the economic ties of less developed countries with the West and to encourage existing socialist predispositions toward more Soviet-oriented forms of economic and social organization.

Soviet willingness to establish official relations with the developing countries, however, could not of itself have proven successful unless such overtures were reciprocated. The leaders of many of the less developed countries, pushed by political aspirations or desires for rapid economic development, were receptive to the post-Stalin changes in Soviet policy and generally were prepared to accept assistance from any quarter. In addition to the general demand for developmental capital, receptivity to Soviet blandishments was enhanced by the unwillingness of many less developed countries to associate their new-found independence with the foreign policy objectives of the West. The availability of Soviet aid enabled these countries to follow what they considered to be neutralist policies in pursuit of their own objectives. Thus the political character of Soviet aid proved to be a "two-headed" phenomenon with political considerations also playing an important -- sometimes primary -- role in the decisions of many countries to accept Soviet aid. The USSR needed only to present itself as an additional source of political and economic support to find a number of willing recipients. Afghanistan, Egypt,

India, and Indonesia, either seeking support for their economic development programs or for particular political goals, readily accepted Soviet assistance.

II. The Economic Aid Program

A. Magnitude and Distribution of Soviet Economic Aid

Since 1954 the Soviet Union has extended more than \$5 billion in economic credits and grants to non-Communist less developed countries. Approximately 42 percent of the total of such economic assistance has been extended to countries in Asia and about 41 percent to Middle Eastern countries (see Table 1). Afghanistan, India, Indonesia, Iran, and the United Arab Republic (UAR) received nearly two-thirds of total Soviet extensions; India and the UAR alone account for 40 percent.

Table 1

Soviet Economic Aid Extended to Less Developed Countries, by Area
1955-1965

	Million US \$				
	<u>Total</u>	<u>Africa</u>	<u>Asia</u>	<u>Latin America</u>	<u>Middle East</u>
TOTAL	<u>5,030</u>	<u>729</u>	<u>2,125</u>	<u>115</u>	<u>2,061</u>
1955	126	0	126	0	0
1956	243	0	223	0	20
1957	310	0	147	0	163
1958	415	0	37	100	278
1959	355	137	577	0	141
1960	594	69	255	0	270
1961	547	193	354	0	0
1962	53	24	27	0	2
1963	236	100	53	0	83
1964	998	206	262	0	530
1965	653	0	64	15	574

While the Soviet economic aid program has grown to sizable magnitude over the years, this growth has not been constant and the annual level of new commitments has experienced periodic fluctuations. The

program itself can be divided roughly into four important phases. The first period, 1955-1957, was largely one of initial penetration, during which time the Soviet leadership probed for opportunities, traveled to much of Asia, and appeared to offer aid indiscriminately. It was a period in which the USSR sought to manipulate the "neutralist spirit" which had emerged from the Bandung Conference of 1955. Both economic and military aid were used as a means of entree into Asia and the Middle East. Aggregate annual economic aid extensions were not very large, with Asia accounting for nearly three-fourths of total Soviet extensions.

During the years of the second stage, 1958-61, the magnitude and distribution of the Soviet aid program underwent its most rapid expansion. Nearly half of the total aid extended by the USSR occurred during this period. Soviet extensions in 1959 totaling \$855 million represented a peak year in new Soviet aid commitments, a level not surpassed until 1964. About half of total extensions during these years were to Asian countries and nearly 30 percent to countries in the Middle East. Although the USSR still continued to probe for opportunities to establish its presence in newly emergent countries, the character of the program changed. The Soviet Union became willing to commit resources for the development programs of aid recipients and allocated more than \$1.3 billion for the development plans of Afghanistan, India, Indonesia, Iraq, and the UAR. India alone received pledges of nearly \$550 million for its Third Five Year Plan (1961-66). Soviet credits totaling \$500 million

were provided for the UAR's First Five Year Plan (1960-65)* and the construction of the Aswan High Dam.

These years also witnessed the rapid development of Africa's contact with the Communist countries. About 55 percent of all Soviet aid to African countries was extended during this period, more than one-quarter in 1961 alone. The initial Soviet aid agreements with Ethiopia, Ghana, Guinea, Mali, Sudan, the Somali Republic, and Tunisia were signed in these years.

The third stage began in mid-1961 with the Soviet aid program experiencing a sharp decline which was not arrested until late in 1963. New aid commitments declined sharply in 1962 and 1963. Soviet credit extensions dropped precipitously from \$547 million in 1961 to \$53 million in 1962, the lowest level since 1954. For the most part, the decline during these two years reflected the high level of earlier aid commitments. The three major recipients -- Afghanistan, India, and the UAR -- had only recently received sizable aid credits and were in the early stages of their respective five-year plans. In addition, a spate of agreements with almost all receptive African countries had been concluded in 1961. In view of these new aid commitments, it is not surprising that the aggregate level of new extensions declined sharply.

* The USSR extended a \$175 million industrial credit to Egypt in January 1958 for use in a five year industrialization program. This plan was subsequently incorporated into the UAR's First Five Year Plan which began in July 1959. Little of the Soviet credit was utilized prior to that time.

The fourth phase emerged late in 1963 when Soviet economic aid extensions began to rise sharply, reaching their highest annual total of nearly \$1 billion in 1964. This resurgence in new extensions was largely a result of the Soviet response to opportunities for further participation in the development programs of India and the UAR and to the increasing Chinese Communist challenge to Soviet influence among the Afro-Asian countries. About one-fifth of total Soviet credits in 1964 was extended to five African countries. Approximately two-thirds of new Soviet economic aid committed in 1964 was to the UAR and India for use during their next five-year plans to begin in 1965 and 1966, respectively. The magnitude of new aid extensions to these countries indicates the important role they continue to play in Soviet foreign policy.

Although new Soviet aid commitments in 1965 continued at a relatively high level, a post-Khrushchevian approach to aid may have emerged. It had been Khrushchev's style to extend large lines of credit while deriving as much propaganda benefit as possible from the extension. The new regime has taken a more cautious approach and appears unwilling to announce specific credits until cost surveys are completed. The aid finally committed appears to be project oriented in contrast to the umbrella-type lines of credit frequently extended in the past. India, Iran, Pakistan, and Turkey are examples of countries in which Soviet technicians have undertaken extensive surveys during much of 1965. Prospective aid to these countries also reflects Soviet preference for such commitments to countries where the governments are relatively stable and

offer prospects for absorbing Soviet aid at a satisfactory rate.

During 1965 the USSR did not extend a single credit to an African country. Nearly 95 percent of Soviet aid extensions in 1965 went to Iran, Pakistan, and Turkey, all members of the Central Treaty Organization.

B. Drawings on Soviet Credits and Grants

While the annual level of Soviet extensions has reflected some sharp fluctuations, drawings on these credits have risen almost consistently, reaching an estimated total of approximately \$2 billion by the end of 1965.* About 45 percent of all Soviet credits extended prior to 1965 have been drawn.** Three countries -- Afghanistan, India and the UAR -- account for three-fourths of expenditures under Soviet assistance. The fact that outlays for all other recipients account for only 25 percent of total drawings (although these countries account for 45 percent of total Soviet extensions prior to 1965) indicates the relatively poor progress of the Soviet aid program in these countries. A major cause for this lag in drawdowns lies in the relatively primitive and chaotic political and economic conditions existent in most of these countries. Many recipients have not even been able to devise any workable development program. Nearly all of these countries lack sufficient numbers of

* Drawings on Soviet economic aid are based largely on trade data presented in the Soviet Foreign Trade Handbook. Figures presented under Category 16 (Complete Plants and Installations), are a minimum estimate since it is believed that practically all such deliveries move under economic aid. A substantial amount of aid moves under other categories but it is not possible to precisely identify these exports.

** Soviet extensions during 1965 are not included in the discussion on drawings as no large outlays on project-type undertakings could be expected in so short a period of time.

professional, managerial, and technical personnel required to carry out aid projects. Most countries are unable to provide adequate amounts of local currency to finance their shares of Soviet-aided projects. Since credits from the Soviet Union have covered only the goods and services not available locally, the rate of drawdowns on those credits is largely determined by the ability of recipient countries to meet the companion domestic costs. The Soviet Union generally has not shown any willingness to undertake any sizable commodity aid program to overcome this difficulty. Only about 5 percent of total Soviet aid has been for this purpose.

The relative success achieved by the Soviet Union in pushing forward its aid programs in India and the UAR, on the other hand, reflects the greater absorptive capacity of these two countries. They have been able to supply much of the technical skills required to implement aid projects. In Afghanistan, the relatively rapid rate of project construction can only be explained by a Soviet willingness to send in large numbers of professional, administrative, and technical personnel in conjunction with a commodity aid program to raise local currency for Soviet projects.

The acceleration of Soviet aid deliveries in recent years has influenced both the aggregate level of Soviet exports to the less developed countries and the commodity pattern of those exports. As the rate of aid expenditures has increased, the level of Soviet exports has grown (see Table 2). Between 1955 and the end of 1964 Soviet deliveries of machinery and equipment (the category in which all of the aid goods are

included) rose from 15 percent of total exports to the less developed countries in 1956 to a peak of 59 percent in 1964. Exports of complete plants and installations (almost all aid goods) rose from 4 percent to 38 percent during the same period.

Table 2

Soviet Exports to the Less Developed Countries
1956-1964

	Million US \$				
	Total Exports	Of Which: Machinery and Equipment		Percent of Total Exports	
		Total	Of Which: Category 16	Machinery and Equipment	Category 16
1956	180	34	8	15	4
1957	203	37	47	31	17
1958	309	160	110	41	29
1959	343	113	69	33	20
1960	346	125	69	36	20
1961	507	236	139	46	27
1962	563	285	183	50	32
1963	762	360	221	47	29
1964	778	460	296	59	38
1956-1964	4,156	1,851	1,104	44	26

C. Sectoral Distribution

Soviet economic assistance is being provided for a variety of purposes and for important sectors of the economies of different less developed countries. The bulk of this aid has been channeled into the construction of basic industrial facilities and overhead investments. By the end of 1965, about 55 percent of total Soviet extensions had been allocated for industrial development, 20 percent for agricultural and major multipurpose projects, and nearly 15 percent for transportation and communications facilities. This pattern of Soviet obligations does not appear to have varied much over time. Between 1959 and 1964 the industrial

sector, for example, accounted for 50-55 percent of total Soviet aid commitments. Those projects considered to have little economic priority, e.g., a sports stadium in Indonesia or a hotel in Guinea, account for only a small share of Soviet aid obligations. India is perhaps the only country where it can be said that Soviet aid truly concentrates on industrial development. India alone accounts for about 40 percent of Soviet commitments for industrial development and 45 percent of the total allocated to heavy industry.

From the Soviet viewpoint, the development of industry is an important aspect of its aid program. Through this device it seeks to preempt or replace private capital in industry by performing the same function. Communist doctrine holds that a less developed country is not truly independent unless it develops and owns its industrial sector. But while emphasizing the development of industry, Soviet spokesmen have been careful to consider the resources of aid recipients and their particular stages of development. Speaking before the delegates to the Afro-Asian Conference in Cairo in December 1957, the chief Soviet delegate stated ". . . the development of various branches of the manufacturing industry cannot be effected otherwise than by expanding agriculture and the extracting industry. . . it should be noted that agriculture and the extracting industry may become the basis for developing many other branches of the economy"

The criteria employed by the Soviet Union for selecting the sectors for concentration in any particular country are not easily

determined. Generally, the country seeking aid will come forward with a list of projects included in its development plan, from which the Soviet Union will select the projects for which it will provide assistance. This pattern of selection has not changed over time. The USSR apparently does not recommend the projects to be included in the country's development program. In a few instances, however, Soviet advisers assisted in the drawing up of development plans and may have influenced the selection of projects included.

There does appear to be a rough correspondence between the stage of development of a country receiving aid from the USSR and the nature of that assistance. The Soviet Union does not ordinarily agree to undertake projects which it believes to be much beyond the technical competence of a less developed country. In India, where the human and physical substructure is sufficiently advanced to begin widening the industrial base, Soviet aid is concentrated on the expansion of heavy industrial and electric power capacity.

Afghanistan, at the opposite end of the development scale from India, is receiving aid of a different nature, with the greatest emphasis on infrastructural development. About half of Soviet aid to Afghanistan has been allocated for the construction of transportation facilities, much of it in areas which have been inaccessible to modern vehicles. Nearly 20 percent of total Soviet aid to Afghanistan has been obligated for the development of mineral resources and about 15 percent for the construction of multipurpose projects. Manufacturing units being aided

by the Soviet Union are small and require simple skills for their operation. Approximately \$15 million have been allocated for constructing and equipping centers for training skilled and semi-skilled technicians. Soviet aid to African countries also is characterized by a great number and variety of small scale projects. Such aid generally is in accord with the requirements of the recipient and is concentrated in multipurpose, transportation, agricultural, mineral, and light industrial projects.

D. Assistance for the State Sector

Practically all Soviet economic assistance to the less developed countries is being channeled into the public sectors of these countries. Such aid has been made available for investment in undertakings in which the private sector traditionally had the dominant role. In countries where the large share of investment in economic development is accounted for by the public sector, Soviet assistance, by virtue of its concentration in this sector, exerts a strong influence on the character and direction of economic development, particularly in the development of industry.

Perhaps more important, the Communists view such aid as enabling these countries to achieve economic independence from Western capitalism, maintaining that "Soviet credits above all promote the development of the State sector of the national economy which represents the strongest basis for the genuine independence of less developed countries." Furthermore, by supporting the development of the state sector -- as well as

encouraging the nationalization of foreign and domestic private investment -- the Communists seek to destroy the economic ties these countries have with the industrial West and hasten the "inevitable crisis of capitalism" as markets and sources of raw materials are cut off. The Soviet Union has stressed that Communist economic relations with the less developed countries "noticeably constricts the sphere of the world capitalist market . . . and expands the sphere of activities of the world socialist market."

The USSR does not seek specifically to assist the less developed countries in achieving a high rate of economic growth. Soviet leaders in fact do not believe that these countries can attain a satisfactory rate of growth without adopting the Communist road to development. But while waiting for the "inevitable" failures the USSR is encouraging the development of institutional forms which can readily assist in the "transition to socialism." Industrialization and expansion of the state sector are viewed as a step toward the gradual adoption of the Communist model. Moreover, emphasis on industrialization appeals strongly to the newly emerging elite and thus provides an opportunity for propagandizing the Soviet economic model. Industrialization also is expected to transform the institutional structure of these countries and destroy the traditional pattern of their economic ties with the industrial West.

In the UAR and India, Soviet aid has enabled the public sectors, especially in industry, to expand to an extent unlikely in the absence of Communist assistance. Soviet economic aid to the UAR not only has

contributed substantially to the public sector's expansion but also has made it easier for Nasser to pursue specific domestic policies designed to eliminate Western influence. Nationalization of foreign and domestic private investments in Egypt and agrarian reform did much to sever the close ties between foreign capital and the small groups of wealthy landowners, industrialists, and financiers who controlled the Egyptian economy. In these moves the USSR cooperated willingly. Soviet capital, for example, was substituted for Western private investment, further severing the ties of domestic business elements with Western firms.

Communist expenditures during India's Second Five Year Plan (1956-61) accounted for about 20 percent of public investment in the industrial sector and represents almost one-fourth of total public investment in industry planned for the Third Plan. A sizable part of Communist aid to India has been allocated for such traditional preserves of private investment as petroleum and pharmaceuticals. The USSR, with Rumanian participation, has dominated petroleum development in the public sector and has constructed the only state-owned petroleum refineries in India. Soviet assistance is being employed to establish a pharmaceutical industry in India, one which will be competitive with private, particularly foreign-owned, interests.

E. Repayment of Soviet Credits

By the end of 1965 an estimated \$400 million in principal and interest was scheduled to have been repaid on the ^{2.} \$1.9 billion in obligations incurred by the less developed countries under Soviet economic

assistance program. Most of these repayments have taken place during the past four years and are expected to become larger during the next few years. Such payments to the USSR rose from an estimated \$30 million in 1961 to \$125 million in 1964 and are expected to continue rising for the rest of the decade.

The magnitude of these prospective repayments indicates that even if Soviet economic assistance to less developed countries rises in the next few years, the burden on the USSR of such outlays will be partially offset by this growing level of repayments. In recent years the ratio of annual repayments to annual drawdowns on Soviet credits has shown an upward trend, rising from 15 percent in 1960 to 40 percent in 1965. This trend is likely to continue during the next few years as debt servicing payments accelerate at a faster rate than Soviet economic aid expenditures.

As repayments of Soviet economic aid credits have fallen due, some aid recipients have been hard put to meet their obligations. For some developing countries, sizable repayments in the form of commodities often preempt a large share of their chief sources of foreign exchange. Such diversions of primary commodity exports -- as well as payments required in foreign exchange -- are particularly burdensome where recipient countries must simultaneously make payments for military debt obligations and for economic assistance from other donors.

In the long run the problem of repayment is likely to be compounded by two factors tending to retard the rapid development of export

capabilities of aid recipients. The willingness of the Soviet Union to accept traditional commodities as payment for its aid itself inhibits the expansion of new export capabilities. Many of the goods which will be produced by newly established industries are not likely to find outlets in Western markets. If the USSR does not accept such goods in payment, default on debts owed to them will become widespread since the production of traditional commodities is not likely to expand rapidly enough to keep pace with the growth in debt servicing requirements.

More important, perhaps, is the fact that the development plans of most less developed countries undertaking industrialization programs emphasize import substitution rather than export expansion. As such facilities are expanded, imports are expected to decline while exports continue to rise. During the planning for its First Five Year Plan, for example, the UAR expected its exports to rise from about \$485 million to \$655 million in 1965 while imports were expected to decline from \$655 million to \$615 million over the same period. In 1964 UAR exports totaled about \$500 million while imports rocketed to \$780 million.

What generally is overlooked is that the development of import substitution facilities in itself tends to cause a rise in import requirements relative to export capabilities and subsequently to a chronic balance of payments problem. Not only does the establishment of new industries require investment with a high import content, but any industrial activity, particularly in less developed countries, requires the use of non-indigenous materials, e.g., fuel, replacement parts, etc.

Moreover, the new activity also generates an increase in incomes, a portion of which is spent on imported goods and services. These pressures have become particularly serious in such countries as India and the UAR. As the Soviet Union becomes more involved in the development programs of many recipient countries and assumes the role of a major creditor, the question of what form repayment shall take will become increasingly serious. One common solution will have to be the stretching out of repayment over much longer periods than the current 12 years.

F. Contribution to Economic Development

The impact of Soviet economic assistance on the economic development of recipient countries still is difficult to assess because the implementation of the program did not really gain momentum until a few years ago. In most recipient countries, Soviet expenditures have not been particularly large, even where developmental credits have been available for as long as 10 years. In many of these countries (ranging from Guinea to Ceylon to Indonesia) no foreign donors have been successful in generating forces sufficient to initiate the growth process.

In only three countries -- Afghanistan, India, and the UAR -- do Soviet aid expenditures appear to have contributed to a sizable increase in productive capacity. The extent of this contribution, however, is difficult to determine, primarily because of the lack of reliable investment and production statistics. Soviet investment through its aid program is most significant in the case of Afghanistan. During the latter's First Five Year Plan (1956-61), about one-third of total

Gross investment in Afghanistan was represented by Soviet expenditures. Such capital outlays are expected to cover half of total Afghan investment during the Second Plan (1952-57). Soviet outlays represented more than 40 percent of a total of \$490 million invested in Afghanistan during the period 1955-1958.

The amount of Soviet aid actually disbursed in the UAR by the end of 1955 is estimated to have been more than \$300 million. During the UAR's First Five Year Plan drawings on Soviet economic credits were equal to about 10 percent of gross investment and accounted for about one-fourth of aggregate UAR investment in industry, electric power, and the Aswan High Dam. UAR officials claim that during this period, national income generated by the industrial sector increased about 45 percent and the sector's share of national income rose from 20 percent to 22 percent.

Although Soviet aid has represented only about 10 percent of the foreign aid allocated for industrial development in India, it has accounted for nearly 40 percent of the assistance provided to the public sector. Soviet expenditures during India's Second Five Year Plan totaled about \$150 million, almost entirely for the construction of the Bailal steel mill. These outlays represented about 10 percent of total external assistance used, 15 percent of aid expenditures in the industrial sector, and 5 percent of total industrial investment during the Plan.

Soviet participation in India's industrialization program

During the Third Plan is extensive. Such assistance is particularly important for the construction of facilities to produce heavy electrical and machine building equipment, development of the petroleum industry, and expansion of steel and coal production and thermal electric power capacity. The machine building plant the Soviet Union is constructing at Ranchi with an annual capacity of 80,000 tons is expected to provide the bulk of the equipment required for the expansion of India's steel industry. By March 1965 the Soviet contribution to the total increase in the capacity created during India's three plans will be about 25 percent in the steel industry; machine tools, 20 percent; petroleum refining, 20 percent;* electric power, 15 percent; and heavy machine building and coal mining machinery, 100 percent.

G. Technical Assistance and Academic Training

The desire of the less developed countries for rapid economic development has resulted in programs that require substantial infusions of professional and technical skills. The range of skills required for such undertakings include not only skilled workers to operate industrial machinery and equipment but also individuals who possess the ability to determine the activities that shall be pursued, the techniques to be employed, and the most efficient use of available resources. In view of the paucity of these skills in less developed countries, an important

* The contribution will jump to about 65 percent by the end of 1966.

part of all external economic assistance is a parallel program of technical assistance to provide a minimum amount of these requisite skills. Some of technical skills can be acquired quickly through short-range training programs. Others require many years of training and experience and must be imported until professional and technical personnel in the aid-receiving country can be trained abroad or at home to satisfy this need.

The people who guide the Soviet foreign aid programs fully realize that technical assistance and academic training must be important components of their aid activities in less developed countries. Between 1955 and the end of 1965, nearly 49,000 Soviet economic technicians have been employed in less developed countries. During the same period more than 20,000 students and technical trainees have undertaken training at facilities in the Soviet Union.

1. Soviet Technicians Abroad

As the pace of the Soviet economic aid program has quickened, the numbers of technicians sent to the less developed countries have grown rapidly. In 1956 there were about 800 Soviet technicians engaged in economic aid programs; in 1960, there were nearly 4,000; and during 1965, more than 9,500. Nearly 80 percent of the total number of Soviet technicians who have been employed in recipient countries have been sent since 1960.

Approximately 45 percent of all Soviet economic technicians have been employed in Asian countries; and more than one-third in the

Middle East. In recent years, the number of Soviet technical personnel engaged in economic aid activities in Africa has risen sharply, reflecting the general increase in Soviet aid activities in that continent.

For the most part, the services of Soviet technicians are dispensed within the framework of the major lines of credit extended for economic development projects and, consequently, resemble the technical services made available by Western private enterprise. Initial project surveys and studies, supervision of construction projects, on-the-job training and, in some cases, management of the completed installation generally comprise the assistance provided by Soviet technical personnel. The total foreign exchange outlays for the services of these technicians between 1956 and the end of 1965 is estimated at about \$300 million, about 15 percent of total drawings on Soviet economic aid credits.

The foreign exchange costs of the services of Soviet technicians usually include their salaries; round-trip plane fare, often first class, between the USSR and the host country; leave accumulated at a rate of about three days per month; round-trip fare of the technician to spend his leave in the USSR; and life insurance premiums. If the period of employment is more than a year, the technician may be accompanied by his family. In that event, the recipient country must pay their round-trip fares and a family transfer allowance. In addition to the foreign exchange costs, the host country also is responsible for much of the maintenance costs of the technician. These local currency costs include free medical care and hospitalization, office and

laboratory accommodations, transportation for official business in the host country, and furnished quarters for the technician and his family.

Technical services costs are relatively large during the initial survey stages but decline as the projects move into the construction phases. This generally has been the pattern with expenditures on Soviet projects. With the acceleration of drawings after 1960, total aid outlays per technician are estimated to have risen from about \$25,000 to \$45,000 in 1965, indicating a more rapid rise in expenditures on capital goods relative to technical services.

Although in the aggregate the ratio of technical services costs to capital goods outlays has followed the anticipated downward trend, for some countries the level of such expenditures has continued at a high level. This is particularly true of those countries in which the number of indigenous personnel with the requisite professional and technical skills is the smallest. In many countries outlays for technical assistance have accounted for 25 to 30 percent of total drawings on Soviet credits to these countries. The inability of such aid recipients to provide sufficient managerial and technical personnel for Soviet aid projects has necessitated employing large numbers of costly Communist technicians. This problem is exacerbated by the narrowness of specialization of Soviet technicians (an outgrowth of the highly specialized Communist educational system) which necessitates the employment of larger numbers of technicians for each project.

The administrative inexperience of officials in recipient countries has posed additional obstacles to the rapid construction of projects and has tended to increase the employment period of Soviet technicians. The reluctance of the Soviet Union to assume complete administrative responsibility for an aid project has resulted in frequent -- and costly -- work stoppages and delays. Soviet aid organizations are, as a rule, responsible only for coordinating the work of all technicians employed on a project, directing basic construction activities, supervising the installation of machinery and equipment, and putting this equipment into operation according to established schedules. The authorities of the recipient countries and their agencies, on the other hand, are responsible for all work involving the use of domestic goods and services. They are responsible for the presentation of basic data for the preparation of a given project, for site preparation, the hiring of labor, the purchase of local materials, and the direct organization of construction work.

In recent years there has been an increase in the number of Soviet technical personnel not connected with specific economic aid projects. These technicians are engaged in managerial, educational, medical, economic planning, agricultural, and other activities. Although Soviet personnel have undertaken such nonproject activities in recipient countries since 1955, their numbers were quite small until 1961. In recent years, however, Soviet technicians engaged in nonproject activities have grown rapidly. Assistance of this type apparently is not provided on credit but is handled as a current account transaction.

Most nonproject technicians have been sent to those countries with the greatest need for technical personnel, particularly in Africa. To a large extent, this trend reflects the Soviet concern over the large backlog of undrawn credits in these countries and the recognition that a greater general training effort is required merely to provide sufficient skilled workers to participate in Soviet aid projects. This form of assistance also enables the Soviet Union to rapidly expand its presence in these countries, particularly in areas of a country in which there are no Soviet construction projects.

2. Technical Training

a. In the USSR

A major objective of Soviet technical assistance programs is to transmit to the local population those technical skills needed to insure that its aid projects are successfully completed. One important form of assistance consists of technical training programs in the USSR for persons who will be employed as supervisors, managers, foremen, and skilled technicians on Soviet-aided projects being constructed in the recipient country. This type of training generally consists of 3 to 12 month programs, except for highly specialized training which may run for as much as 3 years.

The number of technical trainees sent to the USSR has risen with the expansion of the Soviet aid program. Beginning with approximately 125 trainees from India and the UAR in 1956, the USSR by the end of 1965 had provided some technical training for nearly 7,000

trainees from less developed countries; about 75 percent of the total have received their training since 1950. Most of these trainees were trained for employment on Soviet industrial projects. About 85 percent of all trainees have been from countries in Asia and the Middle East.

b. In Less Developed Countries

Among other technical training techniques employed by the Soviet Union is the construction of technical institutes and vocational training centers in the less developed countries. These institutes and centers are staffed largely with Soviet instructors and use Soviet training equipment. The curriculum of the institutes generally includes courses in engineering, agriculture, mining, and industrial production and is designed to produce highly skilled professional and technical personnel. The capacity of these institutes ranges from 250 in Cambodia to 1,100 in Burma.

The establishment of vocational training centers is part of most of the major aid programs undertaken by the Soviet Union. These centers offer training in most industrial and agricultural skills required below the supervisory levels. For example, four centers under construction in Ghana will accommodate 5-6,000 trainees annually and will include training in the repair of agricultural machinery and mining equipment. In the UAR 20 training centers which can train about 4,000 workers during one training session have been constructed under the \$175 million credit extended by the USSR in 1958.

The most important way of transferring simple technical skills to large numbers of workers is through on-the-job training programs. In addition to group training, the usual practice is to have a worker assigned to each Soviet technician employed on a construction project. By the time the project is completed the trainee presumably is able to perform the same function satisfactorily. The USSR, for example, provided such training to about 5,000 Indian engineers, technicians, and skilled workers during the construction of the Bhilai steel mill.

Indian officials claim that as a result of this type of training Indian technical personnel subsequently were able to participate in all stages of construction of the second blast furnace and to take over completely the work on the third blast furnace.

Where such on-the-job training techniques are feasible the impact tends to be favorable for the USSR. Indian officials, for example, have stated that this aid technique has the advantage of leaving the Indians with the feeling of having participated in the construction of a project. One official claims that, in contrast to the steel plants built by Western firms, at the Soviet-built Bhilai steel mill " . . . the morale of the Indian participants was extraordinarily high. They were enormously proud of the relatively good record that the work at Bhilai had made . . . they had gained so much in-service training and experience during the project's planning and construction phases that they were thoroughly confident of their ability to move to an entirely Indian operation of the plant in a very short order." Furthermore, "Aid given

for specific industrial or other projects should, as far as possible, not take the 'turn-key' form as this . . . deprives the recipient country of the experience acquired in actual construction and initial operation" Such situations, however, are not universal and are more likely to occur in such countries as India and the UAR, where the labor force already has a sizable component of skilled technicians. In most countries receiving Soviet aid the participant approach is apt to founder on the low level of technical competence of the domestic labor force.

3. Academic Training

An important program for establishing and maintaining contact with the emerging elite in many less developed countries is the provision of scholarships for academic study in the Soviet Union. Since 1955 an estimated 13,500 students from Asia, Africa, and Latin America have undertaken such programs in Soviet academic institutions. About half of all students have come from African countries, largely since 1961. At least one special university -- the Peoples' Friendship University (Patrice Lumumba) in Moscow has been established as an academic center solely for foreign students.

The costs of this training generally are borne by the USSR in the form of scholarship aid. Among the costs generally covered by these scholarships are transportation to and from the student's homeland, tuition, medical care, clothing, and housing. In addition, each student is provided with a personal allowance, which at Peoples' Friendship University is about 90 rubles or ^F\$100 monthly.

Since the peak year of 1962, when more than 3,400 students initiated academic programs, the number of new enrollees has declined each year with an estimated 1,300 students entering the Soviet Union in 1965. To some extent this decline may be attributed to a more stringent selection process, not only as a means of raising the academic standards of the program but also to counter the growing volume of reported dissatisfaction by Soviet nationals with the presence of these students. Another factor may be the increasing student dissatisfaction with the conditions under which academic programs must be pursued, e.g., inadequate facilities and financial assistance, racial discrimination, and political indoctrination. The Soviet Union also may have reached the point where continued large increments can no longer be accommodated with existing school and housing facilities.

III. Soviet Economic Aid to Cuba

Cuba is the only less developed country to have "joined" the socialist camp since the inception of the Soviet aid program. But the Cuban decision did not represent a Soviet policy success; Cuba fell into the Soviet Union's lap. Soviet aid, however, has prevented Cuba from sliding into an economic collapse.

Since early 1960 the Soviet Union has extended nearly \$1.1 billion in economic aid to Cuba. About 70 percent of Soviet aid has consisted of balance of payments assistance to cover the annual deficits in the bilateral clearing account of the two countries (see Table 3). Since 1961 such

credits have totaled an estimated \$735 million.* Cuba's economic aid debt to the USSR, exclusive of any military aid obligations, now totals about \$900 million.

Table 3
Cuban Trade with the USSR
1961-1965

	Million US \$				
	1961	1962	1963	1964	1965
Cuban exports	300	220	165	275	310
Cuban imports	290	410	460	410	440
Trade Balance	+ 10	-190	-295	-135	-130
Clearing balance a/	- 10	-210	-315	-155	-150

a. Trade balance plus hard currency payments for sugar totaling about \$20 million annually.

In addition to balance of payments assistance, the Soviet Union also has extended about \$345 million in economic development credits to Cuba. Approximately ^{\$150}~~\$200~~ million has been drawn on these credits, largely for industrial development. A minimum of 15,000 Soviet technicians are estimated to have been employed in Cuba on economic aid activities. About 2,500 such technical personnel were present at the end of 1965, largely engaged in agricultural, industrial, and geological exploration activities. In addition, approximately 4,500 Cuban students currently are enrolled in Soviet academic institutions.

IV. The Military Aid Program

Perhaps the most dynamic aspect of the Soviet aid effort in the less developed countries has been its military assistance program. The

* The total deficit amounted to about \$840 million. Cuban exports, however, included about \$45 million to cover payments for the services of Soviet technicians. Cuban imports also included about \$150 million in goods under long term Soviet economic development credits. After allowing for these adjustments, the net imbalance totaled \$735 million.

USSR, apparently reluctant to be openly identified with these arms agreements, initially employed other East European countries as intermediaries. Thus Czechoslovakia concluded the first arms agreement with Egypt in 1955 and with Syria and Yemen in 1956, and Czechoslovakia and Poland signed the early agreements with Indonesia in 1958.

Since the inception of the military aid program in 1955, the USSR has provided about \$4 billion worth of military assistance to 16 less developed countries. The major recipients have been Indonesia and the UAR, each having obtained more than \$1 billion worth of military equipment. Other important recipients have been India, Iraq, and Syria. Within the framework of military assistance agreements the recipient countries have purchased a wide range of land armaments and air force and naval equipment. Included in these inventories are such weapons systems as MIG jet fighters, jet light and medium bombers, a light cruiser, submarines, destroyers, surface-to-surface antitank missiles, and surface-to-air missiles.

A. Political Impact

Soviet military assistance to the less developed countries has been the primary vehicle for achieving a position of influence in some regions vital to Western interests and has had an immediate impact on regional balances of power. In the guise of an advocate of national aspirations, generally anti-Western in character, the USSR has exploited regional or local conflicts for the broad political objective of diminishing Western influence in strategic Free World areas. Arab-Israeli

tensions, Yemen's conflict with the United Kingdom over Aden, Afghanistan's border dispute with Pakistan, and Indonesia's territorial conflict with the Netherlands and, more recently, Malaysia, are all examples of prime opportunities exploited by the Soviet Union.

Assistance of this kind, coming as it does during periods in which the recipient is caught up in political turmoil, establishes a donor-donee rapport which provides a basis for expanding other political and economic ties with Communist countries. Thus, in some cases, Soviet credits for economic development have followed soon after the signing of arms agreements. As the recipient becomes further entangled in the web of Soviet accommodation and as its inventory of Soviet arms increases, a large degree of dependence on the USSR is created for spare parts, ammunition, and the like. A recipient government's political survival may well depend upon Soviet willingness to continue its program.

Perhaps the most dramatic example of the immediate political impact of large scale arms purchases from the USSR is represented by the Middle East. Such agreements provided the primary entree for the USSR into that area and preceded economic aid agreements with Egypt, Iraq, Syria, and Yemen. The first arms agreement signed with a less developed country was concluded between Czechoslovakia and Egypt in September 1955. This agreement, totaling \$250 million, opened the door to other Soviet activities in the area, decreased the strategic value of the newly created Baghdad Pact, and set off a chain of events which included Western refusal to construct the Aswan High Dam and Egyptian

nationalization of the Suez Canal. Egyptian willingness to conclude such an agreement stemmed largely from Egypt's obvious weakness vis-a-vis Israel and Iraq -- a recent adherent to the Baghdad Pact -- which brought into question the loyalty of the Egyptian officer corps and threatened the survival of the Nasser regime.

Because the Soviet military aid program is motivated primarily by political considerations and responds to available opportunities, it is difficult to determine any significant trends in the flow of such assistance. During the years of 1955 to 1958 military aid commitments were sizable because of the initial major agreements with Middle Eastern countries and Indonesia. New large-scale agreements presumably were concluded in 1960 and 1961 as Indonesia's dispute with the Netherlands over West Irian intensified. A high level of new Soviet commitments also occurred during the two years covering mid-1962 to mid-1964, influenced largely by Sino-Indian tensions, civil war in Yemen and the UAR's commitment to the republican government in that country, and the confrontation between Indonesia and Malaysia.

One other factor influences the level of new military aid extensions in certain years -- replacement of obsolete and depreciated equipment. The most obvious examples are the periodic replacement of the various generations of fighter aircraft (MiG-15's and 17's with 19's and 21's), greater emphasis on procurement of the Tu-16 medium jet bomber after initial purchases of the ⁸Il-28 light jet bomber, and more widespread use of the T-54 tanks as compared with less advanced and lighter T-34 tanks.

Such cycles will continue as an important feature in the Soviet program, not only because recipient countries continually clamor for more advanced arms but as each generation of weapons become obsolete for Soviet requirements the USSR discontinues its manufacture. In time, replacement parts become scarce and a country that has received a large and varied inventory of Soviet arms must accept the more advanced equipment coming off Soviet production lines.

B. Economic Impact

The desire of many less developed countries to develop modern military establishments has diverted a large share of scarce resources from their economic development programs and frequently has caused internal economic dislocation and financial distress. These problems are particularly severe in those countries receiving Soviet arms since these purchases must be paid for through commodity shipments and hard currency payments.

An immediate result of a large arms purchase agreement that permits repayment in commodities is a major shift of the recipient's trade toward the Communist countries. This was particularly true, for example, of the initial Czech and Soviet agreements with Egypt during 1955-57. Owing to the immediate repayments required, Egypt's exports to the Soviet Bloc rose from about 10 percent of its total exports in 1954 to nearly 30 percent in 1956 and 40 percent in 1958. Exports of cotton to Czechoslovakia alone jumped from 247,000 cantars* during the 1954-55

* 1 centar = 99.05 lbs.

cotton marketing year (September-August) to 1.2 million cantars in the 1955-56 marketing year. Shipments to the USSR rose from 265,000 cantars in 1955-56 to 1.1 million cantars in 1956-57. By 1957 more than half of Egyptian cotton exports were being shipped to the Soviet Bloc and by 1959 these countries purchased more than 60 percent of Egyptian exports of cotton.

Some reorientation in the pattern of Egyptian cotton exports probably would have occurred even if Soviet arms were not purchased. A sharp decline in Western purchases of Egyptian cotton during the 1954-55 season, the general world-wide increase in cotton production, and frequent fluctuations in cotton prices had already convinced the Egyptians that additional markets would have to be developed in order to stabilize cotton export earnings. As early as March 1955 President Nasser already had indicated that sales in Soviet Bloc markets offered the best prospects for such stabilization. Although increased Czech and Soviet purchases in 1955 and 1956 reflected the implementation of this decision, the severity and rapidity of the geographic shift of Egyptian cotton exports can only be accounted for by the payments for Soviet arms. At no time since the 1955-56 season have cotton exports to this market dropped below 50 percent of the total and it appears that the UAR has accepted this share as the minimum to be exported to the Communist countries.

The decline in exports to the West and repayments of Soviet military credits in foreign exchange have made it much harder for recipient countries to carry out economic development programs. Foreign

exchange earnings that could have been used to import machinery and equipment have been dissipated in long-term repayment obligations for military hardware. UAR payments currently run at least \$20 million annually. Moreover, arms debt repayments have become a financial burden which some recipients find difficult to carry. In Syria, for example, large outlays for defense expenditures in 1957 resulted in a financial crisis which necessitated curtailment of many development projects and caused Syria to default on its first payment to Czechoslovakia. The latter finally agreed to ease the period of repayment. In 1964 Indonesia requested a moratorium on payments due to the USSR.

C. Military Technical Assistance

The rapid influx into the less developed countries of large quantities of modern complex military equipment has demanded military skills that either are in short supply or nonexistent in these countries. This lack of skilled military manpower has posed more serious problems than a similar human resources gap in the economic sector because of the rapid rate at which military equipment has been delivered. The manpower base in these countries has been unable to supply in a short period of time enough men capable of being trained to command, operate, and maintain the modernized military establishments. The acceptance of military personnel for training at Soviet military installations and the dispatch of large numbers of Soviet military technicians to less developed countries subsequently have proved to be important elements of the Soviet military assistance program.

The largest part of the Soviet military technical assistance program consists of training military personnel from less developed countries at military installations in the USSR. By the end of 1965, as many as 18,000 trainees may have received such training. In addition to training provided on specific weapons systems, many trainees enroll at such Soviet higher military schools as the Frunze Military Academy of the General Staff. Indonesia and the UAR undoubtedly have accounted for the bulk of all military trainees sent to the USSR.

Soviet military technicians in the less developed countries generally are engaged in delivering, assembling, and maintaining military equipment; training military personnel in tactics and in the operation and maintenance of equipment; and serving as advisers to staff and line military officers. It is estimated that a minimum of 15,000 military technicians may have been employed in the countries receiving Soviet arms, largely in Indonesia and the UAR. During the period of initial arms deliveries to recipient countries the immediate need is for technicians to assemble the equipment received and to train local personnel in its use and maintenance. Although most of these technicians do not remain longer than is necessary to fulfill their initial functions, some are required to remain for extended periods to service the more intricate equipment.

The major functions of the military technicians, however, have been to train local personnel and to serve as military advisers. For the larger aid recipients, courses generally are established in the use of

the entire range of armaments, from rifles to aircraft to naval craft. Soviet officers also serve as instructors in the major military academies of these countries. In their advisory capacities, Soviet military officers have played key roles in modernizing and reorganizing the military establishments of the countries receiving sizable amounts of Soviet assistance. Often they are assigned to line units to assist in planning and conducting training exercises in the tactical use of the new military equipment.

V. The Balance Sheet -- Successes and Failures

The continuing high level of economic aid extensions suggests that the results of the Soviet politico-economic offensive are satisfactory to the Soviet leadership which succeeded Khrushchev, particularly when viewed against the relatively small amount of resources involved. With its economic and military assistance the USSR has established a strong presence across the belt of less developed countries ranging from Cuba to Indonesia, changing the previously prevailing Soviet image from a menacing scowl to an almost benevolent smile. It also has broadened what used to be an exceedingly narrow base of communications between the USSR and the developing countries whose emergence is now regarded by the Soviet Union as being of decisive significance to the future course of world history.

Through the aid mechanism, the USSR has inducted men, materials, and ideas into less developed countries and impinged on the hitherto almost exclusive Western political and economic predominance in these

areas. By its willingness to undertake such major projects as the Aswan High Dam in the UAR and the Bhilai steel mill in India, the USSR has done much to enhance its prestige. It has sought, and not without some success, to convince the new states that it would be safe and advantageous for them to invest their economic future with the USSR, both as a source of industrial equipment and as a "model" for economic development. Furthermore, it has created the basis for lasting rapport and contact which, the Soviet Union hopes, will open a wide spectrum of opportunities: opportunities to participate in the economic life of an aid recipient; opportunities to influence the direction of economic development; opportunities to influence a recipient's foreign policy.

Soviet support of nationalist movements in many less developed countries has been an important factor in weakening, or eliminating, Western political and economic influence in such diverse areas as Indonesia, the Middle East, and Cuba. In pursuing this objective, the USSR has capitalized on the already strong anti-Western proclivities of many of the new governments and has encouraged many nationalist leaders to adopt measures hostile to Western economic interests in their countries. Without the alternative source of political, military, and economic support which the Communists represent, the new leaders would have been reluctant to initiate actions which could provoke Western retaliation or lead to a loss of Western assistance. Nasser's seizure of the Suez Canal and Sukarno's belligerent and adamant policy toward Dutch New Guinea, for example, were almost certainly encouraged by knowledge of Soviet support, both actual and potential.

In other areas, Soviet political backing, and to a lesser extent real and promised economic support to the state sector, have encouraged the nationalization of foreign-owned enterprises. The Soviet regime has found in many of the emerging countries a leadership already sympathetic to the idea that rapid economic development can occur only through a high degree of governmental participation and control and has attempted to channel this predilection for centralized economic control into specific Communist institutional forms. Under advice from Soviet technicians a number of countries have established Soviet-type state farms, planning commissions, foreign trade monopolies, and industrial organizations.

But along with the obvious short run successes of the offensive, there have been some notable failures. From the practical standpoint of carrying out economic aid programs the Communists have encountered frequent difficulties that have done little to enhance their objectives. For many aid recipients the phase of actual project implementation has proved much less glamorous than the initial announcements of large-scale lines of credit. Many officials in less developed countries have chafed because the rapid conclusion of an aid agreement is not followed by rapid implementation of that agreement, primarily because time-consuming surveys and feasibility studies must be undertaken before construction work can begin. Nor have the Communists come up with a magic formula for overcoming the institutional, human, and economic obstacles in these countries that hamper any aid donor.

The Soviet Union has compounded its difficulties in finishing projects by refusing to assume complete responsibility for the projects, insisting that they furnish only the materials, equipment, and technical guidance. Because of this unwillingness to assume administrative responsibilities, the Soviet Union exercises inadequate control over projects with which they are identified. The resultant inefficient implementation and subsequent delays tend to discredit Soviet performance. In Guinea, for example, the general inability of Guinean officials to maintain a steady flow of local labor and materials to job sites caused numerous delays and extended periods of inactivity, for which the Soviet Union was blamed. In order to overcome this difficulty, the USSR agreed in June 1963 to assume this responsibility and set up a special organization in Guinea to handle these functions.

As for long range objectives, the decline in Western influence in the emerging nations has not necessarily led to a corresponding rise in Soviet influence. The new governments generally have converted their anticolonialist energies into strongly assertive nationalist policies rather than one distinctly pro-Soviet. The surge of nationalism has also led to various regional movements, such as pan-Arabism and pan-Africanism, which the Soviet Union has viewed as incompatible with its long range interests in the area. During his visit to the UAR in May 1964, an irritated Nikita Khrushchev criticized Arab nationalism and stated that "It would be wrong to set the unity of all the revolutionary forces of the world against any grouping of forces by color of skin or

religious conviction The Arab worker, Arab peasants, and Arab intellectuals should unite against exploitation. You will find a place in this union for the Russians, a place, too, for other people, not for the sake of nationalism."

Particularly distressing to the Soviet leadership has been the inability of regimes which they have viewed with favor to remain in power, in spite of relatively sizable amounts of Soviet assistance. Not only have such leaders with pro-Soviet tendencies as Kassem, Ben Bella, and Nkrumah fallen, but the Soviet Union has had to bear the onus of its close association with them as well as to accept the reverse swing of the foreign policy pendulum initiated by the elements which engineered the coups. Perhaps even more galling to the Soviet leadership has been the inability to prevent some of the largest beneficiaries of its economic and military assistance from periodically attacking the Soviet Union (Nasser) or pursuing a foreign policy course favorable to Communist China (Sukarno).

The offensive also has failed to gain any appreciable number of adherents to Communist ideology, either among the new national leadership or among the masses. Most of the present leaders in the Afro-Asian states are committed to carrying out a "socialist" political and economic transformation of their countries, but each declares his own intention to develop a national brand of socialism, and each states his determination not to merge his nation's identity in the larger cause of Communism. Khrushchev voiced Soviet disappointment over this trend in his bitter

remarks about those national leaders who "call themselves socialists," but who have no understanding of what "scientific" socialism really means. The negligible Communist ideological impact on the masses of the less developed world is due in part to the strongly traditionalist character of the less developed societies and in part to the necessary restrictions on the range of Communist activities.

It is in this context that the programs of technical and academic assistance assume a key role in Soviet long-range strategy. The political elite in the developing nations are searching for their own ideology and institutions and the Communists seek to influence this development. In this connection, the Communists believe that the growth of a state-controlled sector in some of the young countries, assisted by the absence of a strong bourgeoisie, the disillusionment with capitalist efforts to promote economic development, and the assumed advantages of socialist methods for carrying out development programs at a rapid pace, could encourage a gradual transition to a "non-capitalistic" form of development. As a result of their propaganda, the Communist countries have scored an important semantic victory in getting many people in developing areas to associate "colonialism" and "capitalism" with only their bad features or their failures.

Important returns unquestionably have accrued to the Soviet Union from its technical and academic assistance programs. The Western monopoly in these fields has been broken and many individuals in the less developed countries exposed to ideas, techniques, and material formerly known only

to a few. Through military, technical, and academic training programs and the use of its technical personnel, the Soviet Union has established important relationships with individuals who in the future may hold key positions in their countries. Despite the larger number of students from less developed countries studying in the West, the new elite in many countries is becoming increasingly Soviet trained with little or no contact with Western society.

There are, of course, short run practical considerations inherent in the dispensation of Soviet technical assistance. The Soviet Union has the desire to see its aid program implemented as expeditiously as possible. Difficulties, delays, and inefficient use of equipment in the field, regardless of fault, often tarnish the image and prestige of the aid donor. The USSR has sought to avoid these situations by providing the bulk of professional and technical skills required for their own developmental projects and military training programs and by teaching similar skills to local personnel.

The Soviet technical assistance program, however, has not been without its difficulties. The contact of aid recipients with Soviet technicians and Soviet society has generated mixed feelings toward Communist institutions and techniques. Although Soviet technicians frequently have been praised for accepting difficult working conditions, performing creditably, and steering clear of proselytizing activities, an increasing number of countries are concerned over the financial burden represented by these technical personnel. Where indigenous personnel have had contact with

Western methods and technicians, the Soviet performance often is depre-
cated for the large numbers of Soviet technicians required to undertake
a project. And even though large numbers of people have been trained at
high cost, the lack of skilled personnel continues to be a major problem.

The number of students who have succumbed to Communist indoctrination
efforts cannot be ascertained but the growth of an ever increasing pool
of Communist assets ready to assume official positions at opportune
moments cannot be doubted. Even though blatant indoctrination courses
have been discontinued after official protests, mere exposure to the
Communist environment for extended periods often leads to a subtle form
of indoctrination. During their long stay in the USSR many students
undoubtedly become adherents of Marxism-Leninism and many establish last-
ing professional and personal ties with Soviet students and officials,
often expressing gratitude for being trained for career opportunities
that probably would not be possible without Soviet assistance.

But there are also those individuals who have become disillusioned
as a result of their contacts with Soviet society or with the educational
programs offered at Soviet academic institutions. Individuals who have
had training in the Soviet Union have registered numerous complaints
about language difficulties, poor living conditions, severe security
restrictions, indoctrination efforts, lack of contact with the populace,
and racial problems. When voiced in their own countries, such criticism
tends to affect adversely the image of Communist society which the Soviet
Union seeks to create.

VI. Outlook for the Soviet Aid Program

The aid program undoubtedly will remain a major element in Soviet policy toward the less developed countries and can be expected to follow its present pattern for some time. New extensions of economic aid will rise or fall in response to changing Soviet estimates of its own short-run economic capabilities, on the capacity of prospective recipients to absorb additional Soviet aid, and on the Soviet assessment of the likely impact of such aid. The USSR will take care to preserve political prestige and advantages already won and is unlikely to curtail significantly a program which has proven to be one of Moscow's most effective weapons in its struggle for influence in Asia and Africa, both in competition with the West and with Communist China.

From the point of view of Soviet aid recipients, such assistance has served many of their political and economic objectives. For some countries economic assistance from the Soviet Union has become an important source of investment for their long-term development plans; and they have not been slow to appreciate the bargaining leverage that the existence of another aid donor has given them in playing off one source of funds against another. Also, the Soviet Union is prepared to make long term aid commitments and to deal "painlessly" with the transfer problem, i.e., to accept repayment in the form of the commodities of the recipient countries and, on occasion, to relieve them of burdensome surpluses. Even countries closely allied with the West, e.g., Iran and Turkey,

have begun to look to the USSR for capital and to purchase that part of their crops which cannot be sold in the West.

The USSR will continue to place heavy emphasis on military assistance because of the immediate political effects of such aid and the greater degree of dependence it generates. Military assistance, in particular, has at various times since 1955 encouraged some recipients, e.g., Afghanistan, Indonesia, ~~and~~ the UAR, and Yemen, to assume more aggressive postures toward neighboring countries. The leaders of such countries have been more willing to pursue policies hostile to the West, knowing that any resulting sanctions can be at least partially offset by aid from the Soviet Union.

The demands from the less developed countries for military aid from all external sources is likely to increase and the USSR will continue to be willing to assist. Although some countries have received Soviet military assistance for 10 years, they remain plagued by a chronic need for skilled personnel. The problem will be compounded as increasingly complex military equipment is supplied by the USSR and as new recipients come into the picture.

Over the next few years, the Soviet Union probably will continue to pursue its current recruitment of large numbers of academic students. For their part the less developed countries apparently intend to continue sending large numbers of students to the USSR and other Communist countries. The willingness of the Soviet Union to extend academic training on a

scholarship basis is a benefit that these countries cannot afford to turn down. For the individual, the offer of an "all expenses paid" education may represent his only chance for an advanced education.

Economic malaise, political instability, and the rising radical influences in many less developed countries should widen the opportunities for the Soviet aid program. In many countries the Western-oriented political elite has been compelled by newly emergent political forces to permit the Communist countries to play a role in the development process or in building national security forces. These leaders will come under even greater pressure as a host of worrisome problems persist and expectations of social and economic progress dwindle. Even though political and social conditions may make it difficult for the Communists to make ideological headway, the inevitably slow pace of evolutionary change will enable the Communists to associate themselves with pressures for radical change. And more and more of these radical forces are setting the tone of their countries' foreign policies. Attacks on foreign and domestic private investment and continuing balance of payments difficulties will tend to limit sources of assistance for economic development programs and increase the attractiveness of Soviet economic aid.

But the ability of the Soviet Union to seize these opportunities to expand its influence through an economic aid program will be circumscribed by the total demand on the USSR's limited economic resources. The Soviet Union cannot launch a major effort in an area such as Latin America without sharply curtailing aid activities elsewhere. Consequently, the USSR

will continue to be highly selective in deciding which countries will receive sizable amounts of its economic assistance. Moreover, the efforts of the Soviet Union to project itself as a model for economic growth will be impeded by its own internal economic problems, particularly the inability to solve its domestic agricultural problems.

Table 4

Soviet Economic Aid Extended to Less Developed Countries
1954-1965

	Million US \$
TOTAL	5,030
India	1,022
United Arab Republic	1,011
Afghanistan	552
Indonesia	372
Iran	330
Algeria	230
Turkey	210
Iraq	184
Syria	150
Argentina	115
Ethiopia	102
Pakistan	94
Yemen	92
Ghana	89
Greece	84
Guinea	70
Somali Republic	57
Mali	55
Kenya	44
Ceylon	30
Tunisia	28
Sudan	22
Cambodia	21
Nepal	20
Uganda	16
Burma	14
Congo (Brazzaville)	9
Senegal	7